DATE:	August 22, 2019
SUBJECT:	Hurricane Harvey Property Value Decline Appropriations
CATEGORY:	Funding Implications
NEXT STEPS:	Share with business and finance staff

Hurricane Harvey Property Value Decline Appropriations (86th Legislature)

TO THE ADMINISTRATOR ADDRESSED:

This letter provides guidance to school districts eligible for an adjustment to property values under Texas Education Code (TEC) Sec. 42.2523, which provides that the commissioner of education may adjust the taxable value of property of a school district all or part of which is located in an area declared a disaster area by the governor under Chapter 418, Government Code, as necessary to ensure that the district receives funding that recognizes the impact of the disaster on local district property values.

Background

Prior to the 86th Legislative Session, the Foundation School Program (FSP) formulas calculated state and local share using property values from the prior tax year. This means that for the 2018–2019 school year, the projected local share was based on 2017 local taxable property values, before the full impact of Hurricane Harvey was felt. For Harvey-affected districts, actual maintenance and operations (M&O) tax collections were lower than projected due to declines in property values resulting from the hurricane. The legislature responded during the 86th Legislative Session with a supplemental appropriation via Senate Bill 500 for property value declines, which sets aside approximately $475 million for property value declines.

Commissioner's Adjustments to Property Values

To mitigate against reductions in local M&O tax collections, and in accordance with legislative action, the Commissioner of Education is exercising his authority under Texas Education Code (TEC) Sec. 42.2523 to adjust property values used in state funding calculations for affected districts during the 2018–2019 school year, holding districts harmless for 100% of the projected losses in local M&O revenue. **This is a one-time adjustment that will only be made for the 2018–2019 school year.** Please note that the availability of this adjustment does not supersede the obligation of school districts to make a good faith effort to maximize local tax collection revenues during the school year.

Eligibility

To be eligible for the adjustment, a school district:

1. must be located in a county included in the Governor's Disaster Declaration regarding Hurricane Harvey;
2. must have a 2018 comptroller-certified property value that is less than the district's 2018 projected comptroller-certified property value or its 2017 property value. (The 2018 projected value was calculated using districts' comptroller-certified property values for the 2014 through 2017 tax years as of May 1, 2019); and
3. must have been deemed eligible to receive an adjustment to average daily attendance for the 2017–2018 school year under TEC Sec. 42.005(d).

Methodology

The commissioner of education will apply the district's 2018 adopted M&O tax rate to the difference between the 2018 comptroller-certified property values and the greater of the 2018 projected comptroller-certified property values or the 2017 certified property values to arrive at the projected loss in local M&O tax collections, which will be adjusted for expected changes in property values resulting from agreements under Chapter 313, Tax Code. The amount calculated under TEC Sec. 42.2523 will be delivered as a stand-alone payment to all affected districts outside of the Summary of Finances.

Attached is a final list of districts and amounts for the payments resulting from the property value adjustments. These amounts will be paid out by August 30, 2019. The commissioner of education's decision under TEC Sec. 42.2523 is final and may not be appealed. For questions about this matter, please contact me at (512) 463-9179 or at Leo.Lopez@tea.texas.gov or Al McKenzie, Director of Forecasting and Fiscal Analysis at (512) 463-9186 or at Al.McKenzie@tea.texas.gov.

Regards,

Leo Lopez, RTSBA
Associate Commissioner for School Finance

Attachments